

# BUYER'S GUIDE TO CHILDCARE VOUCHERS

## INTRODUCTION

April 2005 saw the introduction of income tax relief for childcare vouchers, which generated significant demand from employers and employees wishing to take advantage of this valuable and well-targeted tax break. Today, approaching 400,000 employees benefit from the scheme and this number keeps increasing.

The number of childcare voucher providers has also increased in recent years, giving employers who operate or wish to implement a scheme a wider choice of provider.

We have noted below some of the areas employers might consider when choosing a provider. The list is by no means exhaustive and each organisation will have its own specific requirements which might govern choice.

## TYPE OF VOUCHERS – THE OPTIONS

The various methods are noted below:

On-line Childcare Voucher Account – instead of vouchers being physically issued, the value of the voucher is credited to an on-line account in the name of the employee. The employee can access the account in order to create regular or ad hoc payments, add new childcare provider details and update personal information. The balance of voucher value held in these accounts can be saved up for future use. A remittance advice is usually sent to the childcare provider, following any payment, with the appropriate information. There is a growing trend towards this method of voucher provision, which can give added flexibility to employees as well as simplified administration.

Paper vouchers – usually posted to your employee’s home address. It may also be possible to have the vouchers emailed. These vouchers are then handed to childcare providers who will in turn need to redeem them by post, telephone or on-line, direct with the childcare voucher provider. These vouchers can be used as and when required by the employee, and subject to validity periods, can be saved up for future use.

Automated vouchers – for those employees who pay a fixed, regular amount to their childcare provider, it may be possible to dispense with the paper voucher and set-up a payment similar to a standing order. In this instance the redemption process is automated and the childcare provider needs do nothing to receive the funds. A remittance advice is usually sent to the childcare provider with the appropriate information.

Some childcare voucher providers offer choice as to how the vouchers are delivered to your employees, whilst others may only offer an on-line childcare voucher solution. Some childcare voucher providers may offer a combination of methods under the same scheme.

## **SERVICE & SUPPORT**

Check the level of support offered to your payroll team, your employees and to the childcare providers. Response time varies. Some childcare providers will have a telephone helpdesk whilst with others the support is by email only.

## **SPEED OF PAYMENT**

Your employees will want their childcare providers to receive funds as soon as possible once the vouchers are redeemed or the automated payments are effected. Check the payment policy of your childcare voucher provider. Many release payment instantly on receipt of redemption notice.

## **ADMINISTRATION AND REPORTING**

Accurate and timely reporting for payroll purposes is very important for the smooth running of a childcare voucher scheme. Make sure your childcare voucher provider can work in line with your payroll cut-off dates.

## SECURITY OF CHILDCARE VOUCHER FUNDS

Your childcare voucher provider will be holding funds in respect of unredeemed vouchers. This might just be for a few days whilst funds are being processed through to childcare providers, or it might be for a significantly longer period where employees are saving vouchers for the future by building up a balance of paper vouchers or by increasing the balance in their online account.

There are certain measures a childcare voucher provider can take to protect the childcare voucher funds. Segregation of childcare voucher funds from the general running of the business is essential good practice, with a separate bank account being in place.

It is also important to assess the financial security of the childcare voucher provider. The industry is represented by a wide variety of different size and style of operators. Some providers are part of large commercial groups; others are relatively small companies. You can get a copy of the report and accounts from Companies House or by asking the childcare voucher provider, which will give a good indication of the business standing. Most childcare voucher providers will have had an audit, which is a good hallmark of independent review.

## BRANDING AND MARKETING

Most childcare voucher providers will offer to personalise marketing documentation and application packs with your organisation's branding. This helps endorse the scheme in the eyes of your employees and helps to create a feel good factor. It will also help to increase parent participation, maximising the savings for both employer and employee.

Help should be provided in the on-going marketing of the scheme to your employees.

## CHILDCARE VOUCHER PROVIDERS ASSOCIATION (CVPA)

Member organisations of the CVPA have to comply with a Code of Practice, which outlines best practice for the childcare voucher industry. A full list of members can be found at [www.cvpa.org.uk](http://www.cvpa.org.uk).